

BALLET HISPANICO OF NEW YORK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ballet Hispanico of New York, Inc.

We have audited the accompanying financial statements of Ballet Hispanico of New York, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ballet Hispanico of New York, Inc. as of June 30, 2021 and 2020, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. Our opinion is not modified with respect to that matter.

Lotz + Carr, LLP

New York, New York
December 16, 2021

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021				2020			
	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals	Without Donor Restrictions	With Donor Restrictions Time and Purpose Restrictions	Perpetual in Nature	Totals
Assets								
Cash and cash equivalents (Notes 1b and 5)	\$15,143,603	\$ 1,991,627	\$ 400,000	\$17,535,230	\$ 53,760	\$ 1,035,967	\$ 513,255	\$ 1,602,982
Interfund receivable (payable)	-	-	-	-	(34,629)	20,832	13,797	-
Unconditional promises to give (Notes 1c and 6)								
Without donor restrictions	376,600	-	-	376,600	352,100	-	-	352,100
With donor restrictions	-	2,787,028	-	2,787,028	-	3,491,216	-	3,491,216
Accounts receivable	76,304	-	-	76,304	84,085	-	-	84,085
Prepaid expenses and other assets	114,498	-	-	114,498	104,220	-	-	104,220
Deferred compensation asset (Note 13b)	109,627	-	-	109,627	61,844	-	-	61,844
Investments (Notes 1d and 4)	-	56,977	1,021,100	1,078,077	13,826	-	894,048	907,874
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 8)	8,081,266	-	-	8,081,266	8,383,523	-	-	8,383,523
Artwork	15,650	-	-	15,650	15,650	-	-	15,650
Total Assets	\$23,917,548	\$ 4,835,632	\$1,421,100	\$30,174,280	\$ 9,034,379	\$ 4,548,015	\$1,421,100	\$15,003,494
Liabilities and Net Assets								
Liabilities								
Accounts payable and accrued expenses	\$ 293,193	\$ -	\$ -	\$ 293,193	\$ 218,255	\$ -	\$ -	\$ 218,255
Deferred revenue	166,290	-	-	166,290	52,526	-	-	52,526
Deferred compensation liability (Note 13b)	109,627	-	-	109,627	61,844	-	-	61,844
Refundable advance (Note 11)	-	-	-	-	160,369	-	-	160,369
Mortgage payable (Note 10)	2,400,330	-	-	2,400,330	2,619,470	-	-	2,619,470
Total Liabilities	2,969,440	-	-	2,969,440	3,112,464	-	-	3,112,464
Commitments and Contingencies (Notes 9, 12, 13 and 14)								
Net Assets								
Operating	8,928,438	4,277,082	-	13,205,520	5,921,915	4,065,365	-	9,987,280
Cash reserve funds (Notes 3a and 3b)	6,019,670	347,798	-	6,367,468	-	347,798	-	347,798
Working capital reserve (Note 3b)	-	150,000	-	150,000	-	150,000	-	150,000
Endowment (Notes 3a, 3b and 7)	6,000,000	60,752	1,021,100	7,081,852	-	(15,148)	1,021,100	1,005,952
Endowment - cash reserve (Notes 3b and 7)	-	-	400,000	400,000	-	-	400,000	400,000
Total Net Assets	20,948,108	4,835,632	1,421,100	27,204,840	5,921,915	4,548,015	1,421,100	11,891,030
Total Liabilities and Net Assets	\$23,917,548	\$ 4,835,632	\$1,421,100	\$30,174,280	\$ 9,034,379	\$ 4,548,015	\$1,421,100	\$15,003,494

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Without Donor Restrictions	With Donor Restrictions		Totals	Without Donor Restrictions	With Donor Restrictions		Totals
		Time and Purpose Restrictions	Perpetual in Nature			Time and Purpose Restrictions	Perpetual in Nature	
Changes in Net Assets								
Revenue and Operating Support								
Performance income	\$ 13,000	\$ -	\$ -	\$ 13,000	\$ 515,612	\$ -	\$ -	\$ 515,612
Tuition	525,402	-	-	525,402	1,303,295	-	-	1,303,295
Studio rental income	160,794	-	-	160,794	139,902	-	-	139,902
Endowment spending allocation (Note 7)	-	-	-	-	51,296	-	-	51,296
Miscellaneous	11,386	-	-	11,386	17,622	-	-	17,622
Contributions (Note 1a)								
Government	376,000	37,000	-	413,000	463,770	-	-	463,770
Loan forgiveness income - Paycheck Protection Program (Note 11)	736,219	-	-	736,219	645,363	-	-	645,363
Foundations	5,739,000	1,185,912	-	6,924,912	850,500	1,074,006	-	1,924,506
Corporations	216,270	10,000	-	226,270	258,505	1,000	-	259,505
Individuals	10,347,327	34,324	-	10,381,651	863,502	1,350,946	-	2,214,448
Fundraising benefits	531,194	14,481	-	545,675	834,182	785,668	-	1,619,850
	<u>18,656,592</u>	<u>1,281,717</u>	<u>-</u>	<u>19,938,309</u>	<u>5,943,549</u>	<u>3,211,620</u>	<u>-</u>	<u>9,155,169</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions	<u>1,070,000</u>	<u>(1,070,000)</u>	<u>-</u>	<u>-</u>	<u>1,143,897</u>	<u>(1,143,897)</u>	<u>-</u>	<u>-</u>
Total Revenue and Operating Support	<u>19,726,592</u>	<u>211,717</u>	<u>-</u>	<u>19,938,309</u>	<u>7,087,446</u>	<u>2,067,723</u>	<u>-</u>	<u>9,155,169</u>
Expenses								
Program Services								
Dance Company	1,452,906	-	-	1,452,906	2,719,607	-	-	2,719,607
School of Dance	1,499,957	-	-	1,499,957	2,033,945	-	-	2,033,945
Community Arts Partnerships	456,810	-	-	456,810	642,428	-	-	642,428
Arnhold Center	146,998	-	-	146,998	275,062	-	-	275,062
Total Program Services	<u>3,556,671</u>	<u>-</u>	<u>-</u>	<u>3,556,671</u>	<u>5,671,042</u>	<u>-</u>	<u>-</u>	<u>5,671,042</u>
Supporting Services								
Management and general	503,163	-	-	503,163	466,404	-	-	466,404
Fundraising	610,410	-	-	610,410	654,347	-	-	654,347
Total Supporting Services	<u>1,113,573</u>	<u>-</u>	<u>-</u>	<u>1,113,573</u>	<u>1,120,751</u>	<u>-</u>	<u>-</u>	<u>1,120,751</u>
Total Expenses	<u>4,670,244</u>	<u>-</u>	<u>-</u>	<u>4,670,244</u>	<u>6,791,793</u>	<u>-</u>	<u>-</u>	<u>6,791,793</u>
Increase in Net Assets from Operating Activities	<u>15,056,348</u>	<u>211,717</u>	<u>-</u>	<u>15,268,065</u>	<u>295,653</u>	<u>2,067,723</u>	<u>-</u>	<u>2,363,376</u>
Non-Operating Activities								
Other income (expense)	(36,384)	-	-	(36,384)	30,000	-	-	30,000
Net investment income (Note 4)	6,229	75,900	-	82,129	936	47,176	-	48,112
Endowment spending allocation (Note 7)	-	-	-	-	-	(51,296)	-	(51,296)
Total Non-Operating Activities	<u>(30,155)</u>	<u>75,900</u>	<u>-</u>	<u>45,745</u>	<u>30,936</u>	<u>(4,120)</u>	<u>-</u>	<u>26,816</u>
Increase in net assets	<u>15,026,193</u>	<u>287,617</u>	<u>-</u>	<u>15,313,810</u>	<u>326,589</u>	<u>2,063,603</u>	<u>-</u>	<u>2,390,192</u>
Net assets, beginning of year	<u>5,921,915</u>	<u>4,548,015</u>	<u>1,421,100</u>	<u>11,891,030</u>	<u>5,595,326</u>	<u>2,484,412</u>	<u>1,421,100</u>	<u>9,500,838</u>
Net Assets, End of Year	<u>\$20,948,108</u>	<u>\$ 4,835,632</u>	<u>\$1,421,100</u>	<u>\$27,204,840</u>	<u>\$ 5,921,915</u>	<u>\$ 4,548,015</u>	<u>\$1,421,100</u>	<u>\$11,891,030</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021								2020	
	Program Services				Supporting Services				Total Expenses	Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center	Total	Management and General	Fundraising	Total		
Salaries, payroll taxes and employee benefits	\$1,003,628	\$970,996	\$ 240,978	\$ 75,416	\$2,291,018	\$ 341,562	\$ 497,535	\$ 839,097	\$3,130,115	\$4,178,288
Professional fees	110,920	65,940	97,485	10,054	284,399	54,546	13,614	68,160	352,559	466,425
Transportation, lodging and per diems	21,540	523	-	-	22,063	3,396	138	3,534	25,597	375,270
Advertising, printing and promotion	4,523	10,371	1,215	248	16,357	495	5,968	6,463	22,820	83,275
Production	26,123	3,663	499	-	30,285	1,402	3,098	4,500	34,785	278,491
Office supplies and expenses	23,414	32,203	12,331	3,027	70,975	6,054	10,005	16,059	87,034	111,301
Theatre and studio rental	632	26	-	-	658	-	-	-	658	4,285
Facility maintenance and utilities	86,747	74,183	49,272	12,314	222,516	24,628	-	24,628	247,144	335,405
Interest expense	31,792	27,250	18,167	4,542	81,751	9,083	-	9,083	90,834	119,206
Scholarships	-	97,806	-	-	97,806	-	-	-	97,806	284,611
Insurance	18,557	16,663	10,568	2,642	48,430	5,284	191	5,475	53,905	56,076
Indirect benefit expense	-	-	-	-	-	-	45,060	45,060	45,060	2,163
Bad debt expense	-	6,992	-	-	6,992	1,250	-	1,250	8,242	16,500
Bank/credit card fees and other expenses	16,997	31,292	8,290	2,744	59,323	27,111	16,796	43,907	103,230	110,643
Total expenses before depreciation	1,344,873	1,337,908	438,805	110,987	3,232,573	474,811	592,405	1,067,216	4,299,789	6,421,939
Depreciation	108,033	162,049	18,005	36,011	324,098	28,352	18,005	46,357	370,455	369,854
Total Expenses, 2021	<u>\$1,452,906</u>	<u>\$1,499,957</u>	<u>\$ 456,810</u>	<u>\$146,998</u>	<u>\$3,556,671</u>	<u>\$ 503,163</u>	<u>\$ 610,410</u>	<u>\$1,113,573</u>	<u>\$4,670,244</u>	
Total Expenses, 2020	<u>\$2,719,607</u>	<u>\$2,033,945</u>	<u>\$ 642,428</u>	<u>\$275,062</u>	<u>\$5,671,042</u>	<u>\$ 466,404</u>	<u>\$ 654,347</u>	<u>\$1,120,751</u>		<u>\$6,791,793</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			Total Expenses
	Dance Company	School of Dance	Community Arts Partnerships	Arnhold Center	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and employee benefits	\$1,546,791	\$1,211,159	\$ 373,285	\$159,112	\$3,290,347	\$ 355,878	\$ 532,063	\$ 887,941	\$4,178,288
Professional fees	202,706	93,573	95,239	15,016	406,534	16,682	43,209	59,891	466,425
Transportation, lodging and per diems	319,005	18,217	31,030	2,829	371,081	368	3,821	4,189	375,270
Advertising, printing and promotion	49,491	20,977	2,965	6,211	79,644	1,481	2,150	3,631	83,275
Production	242,993	8,362	4,787	16,765	272,907	589	4,995	5,584	278,491
Office supplies and expenses	34,734	31,013	10,752	6,136	82,635	3,881	24,785	28,666	111,301
Theatre and studio rental	2,745	225	-	1,315	4,285	-	-	-	4,285
Facility maintenance and utilities	119,966	103,190	63,081	17,627	303,864	31,541	-	31,541	335,405
Interest expense	42,291	35,854	23,595	5,822	107,562	11,644	-	11,644	119,206
Scholarships	-	284,611	-	-	284,611	-	-	-	284,611
Insurance	22,661	15,657	9,812	2,706	50,836	4,905	335	5,240	56,076
Indirect benefit expense	-	-	-	-	-	-	2,163	2,163	2,163
Bad debt expense	-	-	-	-	-	16,500	-	16,500	16,500
Bank/credit card fees and other expenses	25,268	44,673	9,389	4,538	83,868	4,442	22,333	26,775	110,643
Total expenses before depreciation	2,608,651	1,867,511	623,935	238,077	5,338,174	447,911	635,854	1,083,765	6,421,939
Depreciation	110,956	166,434	18,493	36,985	332,868	18,493	18,493	36,986	369,854
Total Expenses	<u>\$2,719,607</u>	<u>\$2,033,945</u>	<u>\$ 642,428</u>	<u>\$275,062</u>	<u>\$5,671,042</u>	<u>\$ 466,404</u>	<u>\$ 654,347</u>	<u>\$1,120,751</u>	<u>\$6,791,793</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$15,313,810	\$2,390,192
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loan forgiveness income - Paycheck Protection Program	(160,369)	-
Bad debt expense	8,242	16,500
Depreciation	370,455	369,854
Loss on disposal of equipment	2,610	-
Net realized and unrealized gains on investments	(67,960)	(25,776)
Donated securities	(79,253)	(142,963)
(Increase) decrease in:		
Unconditional promises to give	671,446	(2,174,316)
Accounts receivable	7,781	(17,648)
Prepaid expenses and other assets	(10,278)	14,797
Increase (decrease) in:		
Accounts payable and accrued expenses	74,938	(87,655)
Deferred revenue	113,764	(69,257)
Refundable advance	-	160,369
Net Cash Provided By Operating Activities	<u>16,245,186</u>	<u>434,097</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(70,808)	(2,796)
Purchase of investments	(930,249)	(152,013)
Sale of investments	907,259	268,197
Net Cash Provided (Used) By Investing Activities	<u>(93,798)</u>	<u>113,388</u>
Cash Flows From Financing Activities		
Repayments of mortgage payable	(219,140)	(161,476)
Borrowings on line of credit	-	245,000
Repayments of line of credit	-	(245,000)
Net Cash Used By Financing Activities	<u>(219,140)</u>	<u>(161,476)</u>
Net increase in cash and cash equivalents	15,932,248	386,009
Cash and cash equivalents, beginning of year	<u>1,602,982</u>	<u>1,216,973</u>
Cash and Cash Equivalents, End of Year	<u><u>\$17,535,230</u></u>	<u><u>\$1,602,982</u></u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 90,834</u>	<u>\$ 116,131</u>

See notes to financial statements.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Ballet Hispanico of New York, Inc. (the "Organization"), the premier Latino dance organization in the United States for nearly 50 years, brings individuals and communities together to celebrate and explore Latino cultures through dance. Whether dancing on stage, in school, or in the street, Ballet Hispanico creates a space where few institutions are breaking ground.

The Organization's founder, National Medal of Arts recipient Tina Ramirez, sought to give voice to the Hispanic experience and break through stereotypes. Today, Ballet Hispanico is led by Eduardo Vilaro, an acclaimed choreographer and former member of the Company, whose vision of social equity, cultural identity and quality arts education for all drives its programs.

Ballet Hispanico, a role model in and for the Latino community, is inspiring creativity and social awareness in our neighborhoods and across the country by providing access to arts education.

For the year ended June 30, 2021, 76% of the Organization's contributions came from one individual and one foundation. For the year ended June 30, 2020, 39% of the Organization's contributions came from two foundations.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term highly liquid investments, such as money market funds, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Contributions and Unconditional Promises to Give (continued)**

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

d - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends and realized or unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income and net unrealized appreciation (depreciation) on investments of net assets with donor restrictions are reported as follows:

- as increases (decreases) in net assets with donor restrictions that are perpetual in nature if the terms of the gift require that they be added back to (deducted from) the principal of the contribution held in perpetuity; and
- as increases (decreases) in net assets with donor restrictions for time and purpose if the terms of the gift impose restrictions on the current use of the investment income or net appreciation (depreciation)

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Investments (continued)**

Fair value measurements are categorized into three levels as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. All of the Organization's investments are classified as Level 1.

e - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

f - Advertising

Advertising costs are charged to operations when the advertising first takes place.

g - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions, including tuition, performance income and studio rental income. Tuition is recognized in the period in which the classes are offered. Performance income is recognized in the period the performance takes place. Any payment received before the applicable classes or performance dates are recognized as deferred income. Rental income for the residency programs and virtual performances are recognized by the Organization over the period that the rental takes place.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Functional Allocation of Expenses**

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Expenses are allocated directly to programs, where applicable, on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation. The expenses that are allocated include salaries, payroll taxes and employee benefits, office supplies and expenses, facility maintenance and utilities, insurance, interest expense and depreciation, which are allocated on the basis of estimates of employee time and effort.

i - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

j - Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - Subsequent Events**

The Organization has evaluated subsequent events through December 16, 2021, the date that the financial statements are considered available to be issued.

l - Tax Status

Ballet Hispanico of New York, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

m - New Accounting Pronouncement

During 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no impact on the financial statements.

n - Prior Year Information

For comparability, certain 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2021.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is composed of performance, tuition and studio and investment income and contribution revenue raised during the current year. General expenditures are comprised of expenses related to ongoing program projects and management and general and fundraising expenses incurred to support these projects.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs. Financial assets in excess of daily cash requirements are invested in common stocks and mutual funds.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organizations's financial assets as of June 30 available to meet cash needs for general expenditure within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$17,535,230	\$1,602,982
Accounts receivable	76,304	84,085
Unconditional promises to give	3,163,628	3,843,316
Investments	<u>1,078,077</u>	<u>907,874</u>
Total Financial Assets	21,853,239	6,438,257
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(4,277,082)	(4,065,365)
Plus: Net assets with donor restrictions expected to be met in less than one year	2,498,683	1,687,119
Cash and working capital reserves	(6,517,468)	(497,798)
Net assets restricted for endowment, subject to spending policy and appropriation	(7,481,852)	(1,405,952)
Plus: Amounts expected to be appropriated for use within one year	<u>51,290</u>	<u>49,166</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 6,126,810</u>	<u>\$2,205,427</u>

Note 3 - Restrictions on Net Assets

a - During 2021, the Organization's Board of Directors established a cash reserve fund in the amount of \$6,019,670 with the proceeds from \$14,500,000 in contributions without donor restrictions received from two donors during the year. This board-designated cash reserve fund is intended to be used for future operations and to provide financial stability for the Organization. Amounts may be appropriated from this fund at the discretion of the Organization's Board of Directors.

An additional \$6 million of the contributions without donor restrictions was designated by the Board of Directors to add to the Organization's endowment in 2021 (Note 7).

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3 - Restrictions on Net Assets (continued)

b - Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2021</u>	<u>2020</u>
Endowments:		
Subject to Spending Policy and Appropriation:		
Investment in perpetuity	\$1,481,852	\$1,405,952
Cash and working capital reserve	497,798	497,798
Subject to expenditure for specific purpose:		
Gala	973,229	1,166,551
Latin X Institute	976,579	-
50 th Campaign	706,977	783,000
Community Arts Partnership Program	90,258	158,519
Instituto Coreografico	100,000	100,000
New Works Project	100,000	97,130
Occupancy Subsidy	56,150	44,150
Dance Scholarships	94,459	2,089
Technology Grant	10,000	-
Peron Project	56,500	-
Subject to passage of time	<u>1,112,930</u>	<u>1,713,926</u>
Total Net Assets With Donor Restrictions	<u>\$6,256,732</u>	<u>\$5,969,115</u>

Net assets with donor restrictions were released for the following purposes during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Community Arts Partnership Program	\$ 85,000	\$ 200,000
Technology Grant	-	150,000
Gala	195,000	100,000
50 th Campaign	70,000	-
Leadership Grant Project for Dance	-	44,288
Dance Scholarships	-	121,426
New Works Project	-	110,000
Occupancy Subsidy	-	29,433
Instituto Coreografico	-	35,000
Touring	-	11,250
Block Party	-	7,500
Subject to passage of time	<u>720,000</u>	<u>335,000</u>
Total	<u>\$1,070,000</u>	<u>\$1,143,897</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, are recorded at fair value and consist of the following at June 30:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ -	\$ -	\$ 15,888	\$ 13,827
Mutual index and equity funds	<u>1,093,183</u>	<u>1,078,077</u>	<u>375,995</u>	<u>894,047</u>
	<u>\$1,093,183</u>	<u>\$1,078,077</u>	<u>\$391,883</u>	<u>\$907,874</u>

Net investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 14,169	\$22,336
Net realized gain	599,057	4,002
Net unrealized gain (loss)	<u>(531,097)</u>	<u>21,774</u>
	<u>\$ 82,129</u>	<u>\$48,112</u>

Note 5 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in bank accounts and money market funds, which at times may exceed federally insured limits.

Note 6 - Promises to Give

a - Unconditional Promises to Give

Unconditional promises to give are due as follows at June 30:

	<u>2021</u>	<u>2020</u>
Due within one year	\$1,378,286	\$1,761,130
Due in one to five years	<u>1,916,000</u>	<u>2,272,061</u>
	3,294,286	4,033,191
Less: Discount to present value	<u>(130,658)</u>	<u>(189,875)</u>
	<u>\$3,163,628</u>	<u>\$3,843,316</u>

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 6 - Promises to Give (continued)****a - Unconditional Promises to Give (continued)**

At June 30, 2021 and 2020, approximately 57% and 67%, respectively, of the Organization's unconditional promises to give are due from two foundations and one individual.

Unconditional promises to give due after one year are discounted to net present value using a discount rate of 3%. Uncollectible unconditional promises to give are expected to be insignificant.

b - Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position. During 2020, the Organization received a cost-reimbursable grant of \$200,000. \$150,000 of the grant has not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. There were no advance payments received as of June 30, 2021.

Note 7 - Endowment Funds

The Organization's endowment funds consist of board-designated and donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law, the Organization classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund, consisting of accumulated investment earnings, that is not classified as perpetual in nature is classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization. In addition, the Organization classifies certain other donor-restricted funds which are not expected to be spent on a current basis, and are invested with other endowment funds, as endowment funds with donor restrictions.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7 - Endowment Funds (continued)

The Organization's endowment funds composition by type of fund and net asset classification is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Spending Policy and Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment funds, 2021	<u>\$6,000,000</u>	<u>\$ 60,752</u>	<u>\$1,421,100</u>	<u>\$7,481,852</u>
Endowment funds, 2020	<u>\$ -</u>	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>

Changes in the Organization's endowment funds for the years ended June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Subject to Spending Policy and Appropriation</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment funds, beginning of year	<u>\$ -</u>	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>
Contributions	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>6,000,000</u>
Net Investment Return:				
Interest and dividends	-	12,334	-	12,334
Net realized and unrealized gain	-	63,566	-	63,566
Total Net Investment Return	<u>-</u>	<u>75,900</u>	<u>-</u>	<u>75,900</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Funds, End of Year	<u>\$6,000,000</u>	<u>\$60,752</u>	<u>\$1,421,100</u>	<u>\$7,481,852</u>

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7 - Endowment Funds (continued)

	2020		
	<u>With Donor Restrictions</u>		
	<u>Subject to</u>	<u>Perpetual</u>	<u>Total</u>
	<u>Spending</u>	<u>in Nature</u>	
	<u>Policy and</u>		
	<u>Appropriation</u>		
Endowment funds, beginning of year	<u>\$(11,028)</u>	<u>\$1,421,100</u>	<u>\$1,410,072</u>
Net Investment Return:			
Interest and dividends	19,339	-	19,339
Net realized and unrealized gain	<u>27,837</u>	<u>-</u>	<u>27,837</u>
Total Net Investment Return	<u>47,176</u>	<u>-</u>	<u>47,176</u>
Appropriation of endowment assets for expenditure	<u>(51,296)</u>	<u>-</u>	<u>(51,296)</u>
Endowment Funds, End of Year	<u>\$(15,148)</u>	<u>\$1,421,100</u>	<u>\$1,405,952</u>

The fair value of assets associated with an individual donor-restricted endowment fund may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature totaled \$15,148 as of June 30, 2020. The deficiency resulted from prior years excess spending of endowment funds.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to support programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that keep pace with the market return of the asset classes invested while assuming an acceptable level of risk. The Organization expects its endowment funds, over time, to provide an average return to support an increasing demand for its programs and services.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that maintains a balance between equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

BALLET HISPANICO OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7 - Endowment Funds (continued)

The Organization has a policy of appropriating for distribution each year at least 5%, but not more than 6% of the average fair value of endowment funds over the prior three fiscal years that precedes the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment to maintain the purchasing power of the assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Note 8 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Building and improvements	10-40 years	\$ 3,801,324	\$ 3,801,324
Condominium - Cocodrilo Development Corporation	40 years	9,715,751	9,715,751
Furniture, fixtures and equipment	3-10 years	<u>294,380</u>	<u>610,324</u>
		13,811,455	14,127,399
Less: Accumulated depreciation		<u>(5,730,189)</u>	<u>(5,743,876)</u>
		<u>\$8,081,266</u>	<u>\$ 8,383,523</u>

Note 9 - Line of Credit

Ballet Hispanico has a revolving line of credit with JPMorgan Chase of \$250,000. Interest is based on the prime rate plus 1.150%. At June 30, 2021 and 2020, there were no borrowings outstanding on the line of credit.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 10 - Mortgage Payable**

In August of 2002, Ballet Hispanico began work on the acquisition and development of the vacant plot of land, which lay adjacent to its current building. On August 4, 2003, Ballet Hispanico entered into an agreement with the Stephen Gaynor School to form a not-for-profit development entity, Cocodrilo Development Corporation, to purchase the property and build a ten-story, 50,000 square feet building; the property was purchased on December 23, 2003. The building was completed in the summer of 2006, and as agreed with the School, Ballet Hispanico acquired 12,500 square feet on the top three floors for a project cost of \$9,652,629. On June 29, 2007, Cocodrilo Development Corporation, on behalf of Ballet Hispanico, closed on its permanent financing with a mortgage in the amount of \$5,676,000 from the North Fork Bank, replacing the interim construction loan secured by the Gaynor School. The interest on the construction loan was included as part of the acquisition and development costs.

On June 18, 2018, the Cocodrilo Development Corporation refinanced the mortgage with Chase Bank. The mortgage required monthly principal payments of \$17,942, plus a fixed interest rate at 4%, through its maturity on May 18, 2032. The mortgage may be prepaid in whole or in part with a prepayment penalty. The Gaynor School and Cocodrilo Development Corporation are required to maintain a minimum Consolidated Debt Service Coverage ratio as defined in the mortgage agreement.

On August 26, 2020, Cocodrilo Development Corporation entered into a Change of Terms agreement with Chase Bank, which reduced the interest rate to 3.47% and increased monthly principal payments to \$18,323.

Interest expense for the years ended June 30, 2021 and 2020 was \$90,834 and \$119,206, respectively. Future principal payments are \$219,876 for the years ended June 30, 2022 through 2031, and \$201,533 for the year ended June 30, 2032.

Note 11 - Refundable Advance and Loan Forgiveness Income - Paycheck Protection Program

During 2020, the Organization received a loan totaling \$805,732 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum and included provisions for forgiveness if the Organization met certain employee retention requirements and the funds were used for eligible expenses. Because management believed that it would meet the requirements for forgiveness of the entire loan amount, the Organization recorded the loan as a conditional grant. During fiscal year 2020, eligible expenses totaling \$645,363 were paid with the proceeds of the loan. The remaining \$160,369 of eligible expenses were paid and the corresponding forgiveness income was recognized during fiscal year 2021. In May 2021, the full amount of the loan was forgiven by the lender.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 11 - Refundable Advance and Loan Forgiveness Income - Paycheck Protection Program (continued)**

During 2021, the Organization received a second loan totaling \$573,850 under the Paycheck Protection Program with the same terms as the first loan. All eligible expenses were incurred during 2021 and forgiveness income was recognized during 2021. In October 2021, the full amount of the loan was forgiven by the lender.

Note 12 - Contingency

Government supported projects are subject to audit by the applicable government granting agency.

Note 13 - Retirement Plan

- a - The Organization has a voluntary salary reduction tax deferred annuity plan for the benefit of all qualifying employees under Section 403(b) of the IRC (Internal Revenue Code). The Organization matches the employee's contributions up to 3%. Contributions to the plan were \$41,980 and \$55,608 for the years ended June 30, 2021 and 2020, respectively.
- b - During the year ended June 30, 2018, the Organization adopted a deferred compensation (Section 457(b)) plan for eligible employees. The assets of this plan remain the property of the Organization until distributed to the employee or their beneficiary at retirement or severance from employment. Contributions to the plan were \$18,000 for the years ended June 30, 2021 and 2020, respectively.

BALLET HISPANICO OF NEW YORK, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 14 - Risk and Uncertainties**

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As a result, the Organization suspended all in-person activities in compliance with state and local governmental recommendations. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it has taken steps to mitigate that impact by migrating some programmatic offerings online, instituting across-the-board budget cuts, and reducing staff via both furloughs and permanent layoffs. The Organization applied for and received two loans under the Paycheck Protection Program established by the CARES Act (Note 11). To help offset losses of revenue, appeals were made to major donors to request acceleration of their annual contributions, and to request that grants be allocated to general operating expenses rather than for donor restricted purposes and or specific programs. Management continues to monitor the potential impact of the outbreak, on its finances, but believes it has sufficient resources to maintain its operations until this national emergency is over.